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RUEHCV/AMEMBASSY CARACAS 1687
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RHEHNSC/NSC WASHINGTON DC
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TREASURY FOR SGOOCH
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SUBJECT: TRANSREDES AND GONI ON TRIAL

REF: LA PAZ 1248

¶1. (SBU) Summary: The Morales administration claims that Enron improperly acquired shares in the Bolivian-Brazilian pipeline through a dubious contract between Enron and the GOB signed by former President Gonzalo "Goni" Sanchez de Lozada. The GOB claims that Enron and its subsidiary Transredes owe Bolivia USD 130 million and has named Goni as a defendant in the case. Hydrocarbons companies Transredes and Petrobras told Econoff that the charges are a politically-motivated attempt to gain control of Transredes and persecute Goni.
End summary.

The GOB's Charges Against Enron and Goni

¶2. (SBU) The Morales administration decided to reopen the 2004 case against Enron and its subsidiary Prisma, the partial owner of Bolivian pipeline operator Transredes. (Note: Enron is in the process of selling Prisma to Ashmore Energy. End note.) The GOB claims that Enron/Prisma failed to invest USD 260 million in the construction of the pipeline to Brazil as it had pledged to do in a contract with YPFB (Bolivia's state oil company). Despite its reported lack of investment in the pipeline, Enron/Prisma acquired 17 percent of the shares of the pipeline through a revised contract with YPFB, which was approved by former President Gonzalo "Goni" Sanchez de Lozada. The GOB claims that the defendants owe the government USD 130 million for these shares and has charged Goni with nine crimes related to the signing of the contract with Enron.

Transredes' Response

¶3. (SBU) Transredes executive Maria Claudia Dabdoub told Econoff on July 4 that GOB charges against Transredes and its managers were politically motivated. She asserted that Transredes had acquired its pipeline shares legally and that the company did not owe the GOB money. She added that Prisma's shares in Transredes were being sold to Ashmore Energy so Transredes was no longer partially-owned by Enron. Moreover, any transgressions possibly committed by Enron

could not be attributed to Transredes, she said.

Petrobras Says the Charges are Political

¶4. (SBU) A Petrobras official told Econoff that the charges against Enron/Prisma/Transredes were political. He said that the charges had two purposes: to persecute Goni and to enable the GOB to obtain the 16 percent of Transredes' shares required to gain majority control of the company for free (reftel). Petrobras, which financed the construction of the Bolivia-Brazil pipeline, speculated that the GOB would claim that the USD 130 million owed by the defendants was equivalent to the amount owed by the GOB to purchase 16 percent of Transredes' shares.

¶5. (SBU) Comment: Some analysts suggest that the subject contract unfairly favored Enron, giving the company more than it merited at the GOB's expense. Others argue that the charges are a political mechanism through which the GOB seeks to gain majority ownership of Transredes without having to provide compensation. The truth likely lies somewhere in between. End comment.

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